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Contribution Rates to Remain at Current Levels for 2013-2014 School Year

At the December 10, 2012, Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees' meeting, the Board voted to maintain the current contribution rates for both PSRS and PEERS for the 2013-2014 school year. This action was based on the recommendation of the Systems' actuary, PricewaterhouseCoopers. The ability to hold the contribution rates at the same level is primarily due to the Board's adoption of the Funding Stabilization Policy in 2011.

The contribution rate for PSRS members and employers will remain at a combined total of 29%, with PSRS members paying 14.5% and employers paying 14.5%. For PEERS members and employers, the rate will remain at a combined total of 13.72%, with PEERS members paying 6.86% and employers paying 6.86%. These rates have been in effect since July 1, 2011.

"We are pleased that we are able to hold the contribution rates at the same level for the third consecutive school year," said Dr. Aaron Zalis, Chairman of the PSRS/PEERS Board of Trustees. "Our primary goal as fiduciaries is to make certain that the Retirement Systems are adequately funded in order to provide a secure retirement to current and future Missouri teachers and school employees."

PSRS/PEERS proudly partners with Missouri's public school districts and our members to provide retirement security to over 225,000 active and retired public education employees and their families.

Retirement Provisions Set to Expire on July 1, 2013

Two provisions that may affect the way your retirement benefit is calculated are scheduled to expire July 1, 2013. They are the 2.55% benefit factor and the 25-and-Out provision. These two provisions may be extended beyond July 1, 2013, if legislation is passed by the Missouri General Assembly and signed into law by the governor.

The expiration of these two provisions does not affect retirement eligibility, but may affect the calculation of your retirement benefit.

The 2.55% Benefit Factor

PSRS lifetime retirement benefits are based on a pre-determined formula that considers a benefit factor, your salaries and years of service.

You qualify for normal retirement benefits using a 2.5% benefit factor if you are any age and have at least 30 years of service. You also qualify at age 60 with at least five years of service, or at the Rule of 80, when the sum of your age and years of service equals 80 or more.

You qualify for normal retirement benefits using a slightly higher 2.55% benefit factor if you are any age, have at least 31 years of service, and your retirement occurs on or before July 1, 2013.

What Happens if the 2.55% Benefit Factor is Not Extended?

If the 2.55% benefit factor is not extended, the 2.5% benefit factor will be used for all members who qualify for normal retirement benefits, regardless of their number of years of service. Let's look at an example.

Jane retires July 1, 2013 with a final average salary (FAS) of \$4,000 per month, or \$48,000 annually, and 31 years of service. Her benefit is calculated as follows:

Benefit Factor	X	Final Average Monthly Salary	X	Years of Service	=	Lifetime Single Life Benefit
2.55%	X	\$4,000	X	31	=	\$3,162 per month (\$37,944 annually)

If Jane works one more year and retires July 1, 2014 with the same final average salary and 32 years of service, her benefit increases, even though the benefit factor used is 2.5% rather than the higher, 2.55% benefit factor.

Benefit Factor	X	Final Average Monthly Salary	X	Years of Service	=	Lifetime Single Life Benefit
2.5%	X	\$4,000	X	32	=	\$3,200 per month (\$38,400 annually)

Keep in mind that if Jane's final average salary increases, this will also increase her retirement benefit.

25-and-Out

You are eligible to retire under the 25-and-Out provision on or before July 1, 2013 at any age if you have at least 25, but fewer than 30 years of service, and you do not qualify for the Rule of 80, when the sum of your age and years of service equals 80 or more.

The benefit factors used in the 25-and-Out calculation are slightly lower than the 2.5% normal benefit factor. The 25-and-Out benefit factors are based on your years of service and range from 2.2% to 2.4%.

What Happens if the 25-and-Out Provision is Not Extended?

If you meet the qualifications for 25-and-Out after July 1, 2013 but the provision is not extended, you are still eligible to retire using an age-reduced benefit calculation.

Questions About Your Situation?

If you have questions about how these provisions may affect you, call us at (800) 392-6848 to speak to a PSRS representative or request benefit estimates for potential retirement dates. You can also generate estimates using the Benefit Estimate Calculator at www.psrs-peers.org, or register to attend a Pre-Retirement Planning Seminar.

Keep Track of Pending Retirement Legislation with PSRS

While the Missouri legislature is in session (January 9 – May 17, 2013), the PSRS/PEERS Board of Trustees and staff will monitor proposed legislation regarding the extension of the 2.55% benefit factor, 25-and-Out provision and any other legislation regarding retirement and education. Sign up for email updates at www.psrs-peers.org. Click the Legislation Quick Link near the bottom of the screen.



Sick Leave/Workers' Comp and Military Purchase Deadline is June 30

With the school year half over, it is important to consider whether you are eligible to purchase service for your unpaid sick leave, workers' compensation leave or military leave.

Unpaid Sick Leave and Workers' Compensation Leave

You may purchase retirement service that you lost because of unpaid sick leave or workers' compensation leave as long as payment for the service is completed within two school years following the leave. This means if your leave occurred during the 2010-2011 school year, your deadline to complete the purchase is June 30, 2013. Unpaid sick leave may include time you were on maternity or paternity leave.

Your cost is the contributions you would have made to PSRS during the full period of the leave. Contact your employer to determine if your leave is eligible and arrange your payment to purchase service for this leave. Tax-deferred (rollover) funds can be used to pay for this type of service purchase.

Military Leave

PSRS members who have been on military leave covered by the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) may purchase up to five years of service.

To qualify, you must return to employment after your military leave with the same employer and apply to purchase the leave within five years of re-employment. Your cost is based on the salary rate that you would have been paid and the contribution rate in effect during your leave. You pay the employee portion and your employer pays the employer portion.

Your USERRA-covered service counts toward PSRS vesting and retirement eligibility, regardless of whether you purchase your service. Purchased service is also included in the total service used to calculate your retirement benefit.

For more information on purchasing service, please contact us at **(800) 392-6848**.

Reminders to Those Planning to Retire Soon

If retirement is in your near future, be sure you file your retirement application with PSRS before your retirement date. Some reminders about the retirement process:

- The law requires you file your **Service Retirement Application** before your retirement date. We recommend filing at least three months in advance of your intended retirement date.
- Your retirement application is confidential. We will contact your employer for salary information only after your PSRS retirement date has passed.
- If you receive a full year of service with PSRS, you can retire July 1, even if you are still receiving paychecks through August.
- We will acknowledge receipt of your retirement application. Please call our office if you do not receive acknowledgement within two weeks or prior to your retirement date.
- You must properly terminate all pre-retirement employment with PSRS-covered employers.

Proper Termination of Employment

IRS rules state that retirement systems must require a clear separation of service between the end of pre-retirement employment and the start of your post-retirement work for covered employers. PSRS requires a separation period of **one month** from your effective retirement date.

1 Contracts for Post-Retirement Work

You must wait until after receiving your first benefit payment before you sign any kind of employment contract with a PSRS-covered employer.

This includes early retirement incentives or separation agreements that require you to return to work or volunteer in any capacity after retirement in return for any type of compensation, including health insurance benefits.

2 One-Month Separation from Employment

You must end all employment with PSRS-covered employers.

You must also wait for a period of one month after your PSRS retirement date before returning to work for a PSRS-covered employer in any capacity. In some cases, this includes volunteer work.

3 Volunteer Work After Retirement

If you volunteer after retirement for a PSRS-covered employer and later become a paid employee with the same employer in the same or a similar position, it is considered “work” not “volunteering” for purposes of PSRS retirement.

If your work or volunteering occurs within one month of your PSRS retirement date, you are not considered to have properly terminated your employment and are not eligible for retirement benefits.

If you violate these rules, you are not considered terminated and are not eligible to retire and receive benefits. Therefore, you are not eligible to work at a covered employer as a retiree. In addition, you are required to repay any benefits received while ineligible, including a Partial Lump Sum Option (PLSO) payment, and may be required to pay contributions on earnings until you properly terminate your employment.

Termination Example

If Jane retires July 1, she can begin working August 1 for a PSRS-covered employer in a part-time or temporary-substitute position up to the 550-hour and 50% earnings limits, and continue receiving monthly retirement benefits. She cannot sign a contract for employment or work in any capacity (including teaching summer school, working under the “Critical Shortage” Full-Time Employment Exception, and possibly volunteering) until August 1.

Retirement Readiness: PSRS Makes a Difference

Recent economic events have left many wondering whether they will have adequate income during their retirement years. Unsettled investment markets have taken their toll on the IRAs and 401(k) retirement savings plans on which many rely. The future of the federal Social Security program is also still uncertain. Most of us prefer to be able to meet our own needs after we stop working. How do you achieve that? Don't underestimate the power of your PSRS membership!

The benefit your PSRS membership provides can make all the difference when it comes to achieving the same standard of living in retirement you have earned during your working years.

The Power of the Defined Benefit (DB) Pension Plan

As a PSRS member, you are a member of a defined benefit (DB) pension plan. This means that although your contributions, and those of your employer, go toward funding benefits, your retirement benefits are not limited to what you contribute – retirement benefits are paid for your life.

A Lifetime Benefit from PSRS – You've Earned It

While it is important to supplement your PSRS pension benefits with other retirement savings plans, those plans often provide benefits based on the balance in your account at retirement, and can run out leaving you without the retirement income you need. Your PSRS benefits are payable for life, no matter how long you live.

The Advantages of Membership

- **Once you have earned five years of service, you are vested** and can receive lifetime retirement benefits when eligible because of your age.
- **Your PSRS retirement benefits are payable for your lifetime.** The amount of money in your PSRS account when you retire does not impact the amount of benefits you can receive.
- **In most cases, the retirement benefits paid to PSRS members exceed the funds they contribute to the System while working.** In fact, most PSRS retirees recover all their contributions within the first five years of retirement.
- Unlike other retirement savings plans such as 403(b) plans, 401(k) plans or IRAs, **you don't have to make investment decisions regarding your retirement funds.** Investment decisions are handled by PSRS' professional investment staff and managers.
- **Disability benefits** are available if you have five years of eligible employment and cannot work due to a disability that appears to be total and permanent.
- **Survivor benefits** may be payable upon your death prior to retirement with as little as two years of service.
- At retirement, you can choose from various benefit plans allowing you to **provide financial protection for your beneficiaries.**
- **You receive cost-of-living adjustments (COLAs)** on your retirement benefits.
- **A \$5,000 Death Benefit is payable** to a beneficiary if you die after retirement.

Retirement Planning Tip: Financial Planners and Your PSRS Retirement

Many PSRS members choose to enlist the help of a financial planner when preparing for retirement. A qualified, trusted financial planner can provide valuable advice through an evaluation of your overall financial situation. When working with a financial planner, it is still important to remain engaged in your retirement planning, so you can work together to make decisions that are right for you.

When you need PSRS specific information or assistance, it is best to come directly to us. Whether you need help with your retirement planning or with completing the necessary applications and other forms, we have highly trained staff here to assist you free of charge. "We will make sure you have all the information you need, when you need it," said PSRS/PEERS Benefits Supervisor, Amanda Bryant. "There is never a cost for this service."

Strong Investment Performance for Calendar Year 2012

The Public School Retirement System of Missouri (PSRS) earned an investment return of 12.1% for the calendar year ended December 31, 2012. Assets increased through investment earnings by over \$3 billion over the previous year as each major risk asset category within the PSRS investment portfolio generated strong returns. For example, the PSRS U.S. stock portfolio increased over 16% for the year, the credit bond portfolio moved almost 9% higher and private real estate produced returns in excess of 10%.

Markets moved higher in 2012 due to quantitative easing from the Federal Reserve and better than anticipated macro-economic news, suggesting that the U.S. economy and the global economy picked up some momentum. For example, U.S. growth was stronger than expected in 2012 and appeared to stabilize toward year-end, unemployment continued to decline modestly and there has been a partial recovery in housing.

As we move into 2013, the investment landscape is more uncertain throughout the world. In the near term, the Eurozone debt crisis remains a headwind to international growth. Closer to home, the U.S. also has pressing financial problems. Specifically, issues related to the 'fiscal cliff' could reduce U.S. growth over the course of the year due to tax increases and potential spending cuts. Additionally, the U.S. will be dealing with a trillion-dollar deficit, declining savings rates and continued high unemployment levels for the foreseeable future.

These uncertainties reinforce the System's application of the fundamental principles in the management of the investment portfolio:

- Focus on the long-term investment horizon which requires discipline and patience,
- Balance the long-term investment strategy of PSRS with shorter term views as market dynamics change,
- Manage risk by maintaining adequate liquidity and balancing the portfolio for the heightened possibility of market inflection points, and
- Continue to build a disciplined and diversified portfolio, the benefits of which are even stronger in uncertain and highly volatile markets.

The PSRS diversified asset allocation has provided long-term results that have exceeded the 8% return objective while also providing the safety and liquidity to withstand significant short-term events in the investment markets. We believe that through adherence to a disciplined and prudent asset allocation, PSRS can continue to maximize risk-adjusted returns for current and future members.

The total assets of PSRS and PEERS were approximately \$31.8 billion on December 31, 2012, making the combined entity larger than all other public retirement plans in the state combined, and the 45th largest defined benefit plan in the United States. For the most recent PSRS/PEERS investment news, visit us on the web at www.psr-peers.org.

Attend a Pre-Retirement Planning Seminar

Do you have questions about retirement? PSRS Pre-Retirement Planning Seminars are an excellent resource.

Registration is required and is easy to complete. Register early – seating is limited and we cannot accept late registrations. To register, you need an idea of your retirement date, and your beneficiary's name and birth date. If you're unsure of your retirement date or eligibility, call us and we can assist you. We look forward to seeing you at a seminar!

Upcoming Pre-Retirement Planning Seminars

Date	City	Time	Location	Address	Deadline to Register
February 26	Des Peres	4:30 p.m. & 7:00 p.m.	Lodge of Des Peres	1050 Des Peres Rd	February 5
March 2	Columbia	10:00 a.m.	Stoney Creek Inn - Columbia	2601 S Providence	February 11
March 5	Jefferson City	4:30 p.m.	PSRS/PEERS Office	3210 W Truman Blvd	February 11
March 5	Maryland Heights	5:30 p.m.	Pattonville Senior High School	2497 Creve Coeur Mill Rd	February 12
March 6	Kansas City	4:30 p.m.	Winnetonka High School	5815 NE 48th St	February 25
March 7	St. Joseph	4:30 p.m.	Stoney Creek Inn - St. Joseph	1201 N Woodbine Rd	February 14
March 12	Ballwin	5:30 p.m.	Parkway West High School	14653 Clayton Rd	February 14
March 12	Maryville	4:30 p.m.	Maryville High School	1503 S Munn Ave	February 19
March 20	Joplin	5:30 p.m.	Holiday Inn - Joplin	3615 S Range Line Rd	February 27
March 21	Springfield	5:30 p.m.	Springfield R-XII Central High School	423 E Central Ave	February 27
March 26	Trenton	4:30 p.m.	Trenton High School	1415 Oklahoma Ave	March 5
April 3	Clinton	4:30 p.m.	Clinton High School	1106 S 2nd St	March 13
April 9	Independence	5:30 p.m.	Fort Osage School District	2101 N Twyman Rd	March 19
April 11	Fenton	5:30 p.m.	Rockwood Summit Senior High School	1780 Hawkins Rd	March 25

To view the complete seminar schedule and to register, please visit us online at www.psrs-peers.org, or contact our office at (800) 392-6848.

Right Now...

Either you haven't really thought much about retirement, or you worry that you won't have enough money to retire at all.

Right Now ...

You are a member of a pension plan that provides retirement benefits for life, no matter how long you live.

The Time to Plan for Retirement is Right Now

Ask your school to request a PSRS Early/Mid-Career In-Service presentation today.

School officials can contact us at (800) 392-6848, email psrspeers@psrspeers.org or use our **online meeting request form** at www.psrs-peers.org.



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PSRS for your BENEFIT

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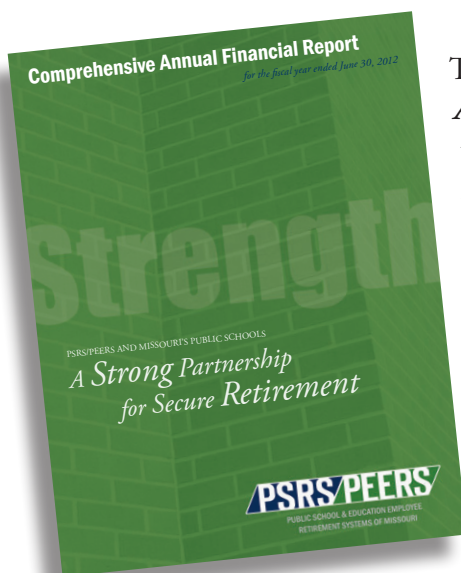
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June 30, 2012 Comprehensive Annual Financial Report Available



The June 30, 2012 *Comprehensive Annual Financial Report* and the 2012 *Summary Report to Members* are now available online at www.psr-peers.org.